



FINANCIAL REGULATOR
Rialtóir Airgeadais

Public Response to CP37
Limited Consultation on
Minimum Competency
Requirements for Private
Medical Insurance

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Introduction

The Minimum Competency Requirements (the Requirements) came into effect on 1 January 2007 and established minimum standards across all financial services providers, with particular emphasis on areas dealing with consumers.

Since the introduction of the Requirements, there have been significant changes in the private medical insurance market. These developments have resulted in an increased involvement by intermediaries in the provision of private medical insurance. In addition, some private medical insurance providers now form part of larger groups providing other forms of insurance.

Concerns were raised in relation to the appropriate qualifications for intermediaries grandfathered for life assurance who now wish to deal with private medical insurance and also for those transferring between group companies, for example, an individual transferring from a general insurance company to a private medical insurance company within the same group.

We decided to seek the views of those involved in the private medical insurance sector on this issue in advance of the review of the Requirements, which is due to commence later in the year. A Limited Consultation on Minimum Competency Requirements for Private Medical Insurance was issued on 29 April 2009 and the closing date for receipt of submissions was 15 May 2009. The consultation was limited to the Consultative Panels, the intermediary representative bodies, the health insurers and the educational institutes. Ten submissions were received and we would like to thank all those who made submissions.

This document summarises the main comments and recommendations contained in the submissions received. We have carefully considered these comments and recommendations when formulating the approach to be taken.

Current Requirements for Private Medical Insurance

Those providing services in relation to private medical insurance must either be grandfathered for that activity or hold a relevant recognised qualification. The recognised qualifications for private medical insurance include:

- Certified Insurance Practitioner (CIP). This course is aimed at those carrying on any form of general insurance.
- Diploma in Private Medical Insurance. This course is aimed at those who only deal with private medical insurance. (On completion of the first two modules, candidates are awarded the Certificate in Private Medical Insurance.)
- Bridge Examination in General Insurance. This is a one-module course for those who have completed the QFA Diploma and wish to deal with personal lines general insurance, including private medical insurance.

General Comments made in the Submissions

Some of the submissions referred to the complexity of private medical insurance. They said that while there are only three providers, there are numerous plan types available – in the region of two hundred options when possible product combinations are considered. The options offered by the providers are constantly changing with a number of new plans and benefit amendments already issued this year. Two submissions suggested that private medical insurance is not a complex area.

One submission pointed out that the legislative landscape for private medical insurance is different to that of other life and non-life insurance products, as is evidenced by, for example, the Health Insurance (Miscellaneous Provisions) Bill 2008 and the Voluntary Health Insurance (Amendment) Act 2008, and expressed the view that a knowledge of all legislation governing the private medical insurance market is necessary to ensure that proper advice is given at all times.

One submission expressed the view that there are concerns in the market over what best advice should look like, i.e., does it mean dealing with all three health insurers or only one. Another expressed concern that intermediaries might be tied to one provider and offer the consumer that company's product which might not be the most appropriate.

The following issues were also highlighted in the submissions:

- everyone's healthcare requirements are unique and these need to be considered in detail before providing a recommendation;
- current trends show that consumers demand cover which is tailored to suit their personal health and lifestyle needs, is affordable, and which provides them with a range of benefits;
- a number of factors must be considered when providing advice, e.g., medical inflation, averaging 10% per annum, the strengths and weaknesses of the public health service, the health status of the individual, age, gender, stage of life, income level, choice of provider, access to facilities, and geographic location;
- considerations to be taken into account when advising company group schemes include contractual issues, trade union representation, communication requirements and linked benefits;
- as approximately half of group schemes are paid by the employer, expert advice is crucial as organisations seek to contain costs;
- private medical insurance is an extremely emotive purchase and consumers want certainty that their health will be well looked after by their provider in the event of making a claim;
- private medical insurance is not a commodity product that should be purchased/sold on price alone;
- private medical insurance is an expensive financial product and may involve quite a considerable financial commitment;
- advisers must be sufficiently expert to be able to explain in detail each member's current benefits before considering alternative plans with other insurers.

Two submissions set out a number of areas in which they considered individuals must be competent in order to provide expert advice to clients, including:

- the unique private medical insurance concepts such as community rating, open enrolment, minimum benefits, lifetime cover and risk equalisation;
- the range of products and options available across all three private medical insurance companies, product differentials across all plans, linked benefits and capped benefits;
- switching requirements and criteria for individuals and company schemes;
- the structure of the private medical insurance market and the strategy and approach of each of the private medical insurance companies;

- the strengths and weaknesses of the Irish public health system;
- the relevant private medical insurance legislative and regulatory requirements;
- policy wording, including any exceptions, waiting periods, exclusions, deductibles and excesses;
- claims allocation and premium calculation;
- developments in the private medical insurance market.

One submission commented that the Requirements have set a clear and high standard but that a key weakness in the Requirements has been that they do not apply to Vhi Healthcare.

Grandfathering

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The Consultation Paper sought views on whether special considerations should be taken into account in the case of individuals grandfathered for other types of insurance who now wish to deal with private medical insurance. It also sought views as to whether different criteria should apply for grandfathering in relation to private medical insurance.

Responses received

Five of the submissions responded that the issues that arise in respect of private medical insurance are similar for both life and non-life grandfathered individuals.

None of the submissions suggested that different criteria should apply for grandfathering for private medical insurance in terms of the level of experience necessary for grandfathering. Three submissions agreed that the same criteria should apply as in the case of other products. One submission pointed out that as private medical insurance is only very recently being sold by intermediaries, they could not have the four years experience required for grandfathering. Another expressed the view that unless an adviser has practical experience from the industry it would be difficult to define acceptable terms for a grandfathering-type arrangement and that private medical insurance should be treated like other life or non-life products.

Other comments included:

- if an individual is grandfathered for any product within a particular category he/she should be considered grandfathered for all products within that category;
- as private medical insurance falls within the meaning of classes 1 and 2 (Accident and Sickness) of the classes of non-life insurance specified in Part A of Annex 1 to the European Communities (Non-Life Insurance) Framework Regulations 1994, those grandfathered for activities relating to products falling within the meaning of classes 1 and 2 should be qualified to deal with private medical insurance;
- grandfathered individuals are on a par with QFA qualified individuals and a bridging examination should be developed that mirrors the syllabus of the current QFA Bridge Examination in General Insurance.

One submission expressed concern regarding the level of private medical insurance expertise of intermediaries who are not part of a Group that includes a private medical insurance provider, their access to information and ability to keep their knowledge updated. The submission refers to the following considerations:

- such individuals are not actively integrated into the private medical insurance market;
- they do not have direct access to in-house expertise;
- they do not have direct access to consistent product, service and market updates;
- they are dealing with less volumes of private medical insurance business, which can lead to difficulties with comprehension and retention of information.

This submission suggested that the Continuing Professional Development (CPD) requirement should be greater for intermediaries who are not part of a Group that includes a private medical insurance provider. It proposes 75 hours CPD over a three-year cycle, with a minimum of 20 hours each year. In order to facilitate this approach, additional e-sessions and tutorials on private medical insurance should be made available.

Qualifications

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The Consultation Paper asked what qualifications are appropriate for individuals grandfathered for other forms of insurance who now wish to provide services in relation to private medical insurance.

Responses received

The comments made in the submissions regarding the qualifications currently specified in the Requirements, include:

- the courses currently available generally meet the needs of intermediaries advising on private medical insurance but contain an element of content which is superfluous to the specific area;
- it is not correct that an individual grandfathered for life assurance should be required to complete either the six-module CIP or the four-module Diploma in Private Medical Insurance in order to deal with private medical insurance;
- the Requirements are both excessively onerous and often overly lackadaisical for those advising on a single class or sub-class of product; a six-module qualification would allow an individual to advise on all classes of non-life insurance, another six-module qualification with a bridge examination would allow an individual to advise on all classes of insurance, whilst a four-module qualification allows an individual to advise on only one small sub-class of non-life insurance;
- the Requirements do not sufficiently take into account persons working on short-term contracts;
- the Requirements may be overly onerous with regard to those wishing to undertake a role outside their grandfathered or qualified area of expertise;
- the recognised qualifications may not fully represent the level of knowledge which should be gained for dealing with a particular class of retail financial product.

Six of the submissions suggested that a short focussed course, one or two modules, should be developed for those grandfathered, either for life assurance or other forms of non-life insurance, who wish to deal with private medical insurance. Four of those six submissions suggested that this course should be

completed within a specific timeframe, e.g., one day, six months, nine months, by end 2010, with one suggesting that it should be provided by the private medical insurance provider. One of those six submissions suggested that grandfathered individuals should be required to undertake a detailed e-learning module on MyCPD, undertake an on-line test with a high pass rate and, on an annual basis, complete a predetermined number of practical training hours as part of the formal CPD process.

A further three submissions also referred to a short focussed course in some circumstances:

- One submission suggested that a Bridging Examination, equivalent to the syllabus of the current QFA Bridge Examination in General Insurance, should be developed for individuals grandfathered for life assurance and that an individual grandfathered for non-life insurance should not have to undertake any additional qualifications. Any gaps in knowledge could be remedied by undertaking CPD hours.
- Another submission suggested that individuals who are part of a Group that includes a private medical insurance provider and have either been grandfathered for other forms of non-life insurance or have completed the CIP Diploma prior to 2009 should complete a one-module course comprising an overview of the market, legislation and underwriting. Individuals grandfathered for other forms of non-life insurance, but who are not part of a Group that includes a private medical insurance provider, and those holding the QFA Diploma should complete the Diploma in Private Medical Insurance. Individual grandfathered for life assurance should complete the CIP Diploma.
- A third submission suggested that those holding earlier versions of the CIP Diploma should complete a bridging examination.

The following suggestions were also made in the submissions:

- Individuals grandfathered for life assurance or other forms of non-life insurance should gain, as a minimum, the Diploma in Private Medical Insurance.
- In order to strengthen and improve the Requirements, an amendment to the existing Requirements so as to allow for the provision of specialist and general qualifications, as well as recognising different streams or 'sub-classes' within various categories of financial services, would provide for a comprehensive

solution with regard to educational standards to be met in order to work in roles affected by the Requirements. With regard to qualifications the following should be adopted:

- Those wishing to advise on a number of sub-classes should complete a general qualification, such as the CIP Diploma or QFA Diploma.
- Those wishing to advise on one sub-class, such as employers liability, motor, permanent health, or protection policies, should complete a specialist qualification dealing only with that sub-class, as well as general information on the class to which it belongs, along the lines of two modules of the CIP Diploma or QFA Diploma.
- Those grandfathered in a particular sub-class should be treated as though they have obtained a specialist qualification.
- Where an individual is qualified or grandfathered in only one sub-class and wishes to begin advising on other sub-classes or on a whole class, he/she should undertake a general qualification or multiple specialist qualifications.
- Specialist qualifications should be obtained within nine months of commencing employment in an affected role.

This submission also suggested that the Financial Regulator should take a more active role in issuing instruction as to what constitutes acceptable CPD.

- The Financial Regulator should review the syllabus of the CIP Diploma and the Bridge Examination in General Insurance to ensure the private medical insurance content is as adequate and detailed as the Diploma in Private Medical Insurance and is mandatory.
- Those who wish to concentrate on private medical insurance as a key product line should assign a dedicated person within the business to be a private medical insurance specialist and this person should complete the Diploma in Private Medical Insurance.
- The CIP qualification is not appropriate for QFAs who want to enter the private medical insurance market. The Financial Regulator, in conjunction with the education bodies for the industry, should consider a one- or two-module programme specifically designed for QFAs which deals primarily with private

medical insurance. It should be possible to achieve this qualification over a six-month period and would be suitable for those intermediaries who want to provide advice on this area, albeit on a limited basis.

- Those engaging in private medical insurance on a limited basis may hold the CIP Diploma or the Bridge Examination in General Insurance; the Financial Regulator should introduce precise rules and guidelines to establish and define what percentage of business constitutes a limited basis and the appropriate level of qualification to be attained.

Our view

The Requirements were introduced to establish minimum standards for financial services providers, with particular emphasis on areas dealing with consumers. We believe that consumers are entitled to a minimum level of professionalism and expertise from their financial services provider and, therefore, all individuals involved in areas covered by the Requirements must either be appropriately grandfathered or hold a relevant recognised qualification, regardless of whether they are employed in a full time capacity or on a short-term contract. It is important that any individual dealing with a consumer has the appropriate level of knowledge and expertise. This also means that those wishing to act outside their grandfathered area of expertise or to deal with a product or activity for which they do not hold a relevant recognised qualification must obtain an appropriate recognised qualification for that product or activity.

It is important to note that the Requirements are minimum requirements and if any firm considers that the relevant recognised qualifications do not fully represent the level of knowledge necessary for the services it provides, it may require individuals to undertake appropriate qualifications in addition to those specified in the Requirements.

The QFA Diploma and CIP Diploma are the core qualifications recognised for the purposes of the Requirements and represent the professional standard for those in the industry. These qualifications have become more widely known and, indeed, anecdotal evidence would suggest that they have become more sought after by employers. We do not agree that multiple specialist qualifications would be appropriate and we believe that such an approach would only lead to confusion, both among consumers and industry. We believe that positioning the

QFA and CIP Diplomas as the benchmark qualifications at the core of the Requirements has been a key element in raising standards in the industry generally and that both the industry and consumers benefit from the increased professionalism which follows from the achievement of these qualifications.

All those providing private medical insurance should be appropriately qualified to do so, whether by grandfathering or holding a relevant recognised qualification. We do not consider it necessary to differentiate between those that are part of a Group providing private medical insurance and those not part of such a Group. We believe that the recognised qualifications contain sufficient material to provide holders of those qualifications with the expertise to advise on private medical insurance and that 60 hours CPD over a three-year cycle is adequate to keep those qualifications up to date. In this regard, the Insurance Institute has informed us that, during the year, the private medical insurance content in the CIP Diploma and the Bridge Examination in General Insurance has been reviewed and expanded in order to reflect the needs of the market.

The grandfathering arrangements were introduced to recognise the experience many individuals would have had in the industry. However, experience in one product type within a category may not be sufficient for grandfathering in respect of the full category. If any individual does not have experience across the full range of products within a specific category, he/she cannot avail of the grandfathering arrangements for the full category but only for those areas where he/she has experience. For example, an individual with experience in dealing with savings products only would not meet the experience requirement to be grandfathered in respect of pensions even though savings and pensions are in the same category of retail financial product. Similarly, an individual with experience in non-life insurance but without experience in private medical insurance cannot be grandfathered for private medical insurance.

Grandfathered individuals may arrange their own CPD or participate in the CPD programmes run by the educational bodies providing the recognised qualifications. The content of CPD courses must be directly relevant to the activities for which the individual has been grandfathered. The arrangements in relation to CPD will be reviewed later in the year as part of the review of the Requirements.

Vhi Healthcare is not regulated by the Financial Regulator as an insurance undertaking and is therefore not subject to the Requirements when acting in that capacity. It is regulated as an intermediary in respect of the sale of travel insurance and must meet the Requirements for that activity.

Minimum Competency Requirements for Private Medical Insurance

We have carefully considered the comments and recommendations contained in the submissions received, and believe that the following requirements would be appropriate for private medical insurance:

- Individuals who are grandfathered for life assurance or for other forms of non-life insurance should complete the Certificate in Private Medical Insurance.
- The grandfathering arrangements set out in the Minimum Competency Requirements apply to private medical insurance in the same way as to other retail financial products, i.e., an individual may only be grandfathered for private medical insurance if he/she has had four-years experience in dealing with private medical insurance in the eight-year period 1 January 1999 to 1 January 2007.
- Individuals who specialise in private medical insurance should obtain the Diploma in Private Medical Insurance.
- Individuals who hold the QFA Diploma may undertake the Bridge Examination in General Insurance.
- Individuals dealing with private medical insurance along with other forms of non-life insurance should obtain the CIP Diploma.
- Individuals grandfathered for non-insurance products should complete either the CIP Diploma or the Diploma in Private Medical Insurance.

Individuals who are providing private medical insurance services at present and who may not be appropriately qualified should take immediate steps to rectify the situation. Such individuals should not deal with private medical insurance until such time as they are appropriately qualified to do so. Individuals grandfathered for other forms of insurance should obtain the Certificate in Private Medical Insurance and those who hold the QFA Diploma should obtain the Bridge Examination in General Insurance or the Certificate in Private Medical Insurance.



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